

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06  
LAB-04 SIL-01 L-03 H-02 PA-02 AGRE-00 DOE-11  
SOE-02 OES-07 INT-05 /130 W  
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R 090751Z MAR 78  
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TO SECSTATE WASHDC 894  
INFO USMISSION USNATO  
AMCONSUL MUNICH  
AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY MOSCOW  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW

UNCLAS SECTION 1 OF 2 BUDAPEST 1003

E.O. 11652: N/A  
TAGS: ECON, HU  
SUBJECT: HUNGARIAN ECONOMIC PERFORMANCE IN 1977

REF: BUDAPEST 4333 (1977)

1. SUMMARY: OFFICIAL GOH FIGURES SHOW THAT GROWTH OF  
NATIONAL INCOME AND MOST OTHER INDICATORS EXCEEDED 1977 TARGETS.  
LED BY STRONG RECOVERY OF THE ARGICULTURAL SECTOR FROM POOR  
1976 CROPS, NATIONAL INCOME INCREASED BY 7.5 - 8 PERCENT,  
INDUSTRIAL PRODUCTION BY 7 PERCENT, AND PER CAPITA INCOME  
BY 4.5 PERCENT. AN OTHERWISE BRIGHT PICTURE WAS MARRED BY  
EXCESSIVE INVESTMENT SPENDING AND AN INCREASED HARD CURRENCY  
BALANCE OF PAYMENTS DEFICIT. THIS TELEGRAM SUMMARIZES THE  
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MORE IMPORTANT ECONOMIC RESULTS AND REPORTS MANPOWER AND  
POPULATION STATISTICS. END SUMMARY.

2. THE 1977 REPOT OF THE CENTRAL STATISTICAL OFFICE,  
EXTENSIVELY SUMMARIZED IN THE HUNGARIAN PRESS THROUGH THE  
MONTH OF FEBRUARY, SHOWS THAT 1977 RESULTS GENERALLY  
EXCEEDED PLAN TARGETS FOR THE YEAR. PRINCIPLE ECONOMIC

INDICATORS FOR 1977 ARE REPORTED AS FOLLOWS:

PLAN	FACT
(IN TERMS OF 1976 PERCENTAGE)	
NATIONAL INCOME	106-106.5 107.5-108
INDUSTRY	106 106.8-107
BUILDING	105-106 106
AGRICULTURE (IN TERMS OF 1975 PERCENTAGE)	107-108 107-107.5
AVERAGE NOMINAL INCOME PER PERSON	107.5-108 108.5
CONSUMER PRICE INDEX	103.8-104 103.9
PER CAPITA REAL INCOME	103.5-104 104.5
REAL WAGES PER EARNER	102.5-103 103.5
INVESTMENTS IN THE SOCIALIST SECTOR (AT CURRENT PRICES) IN TERMS OF 1000 MILLION FORINTS	164 181.5
FLAT BUILDING (IN 1000 PIECES)	88 93

TOTAL NATIONAL INCOME FOR 1977 IS ESTIMATED AT "ABOUT 480,000 MILLION FORINTS." WITH INVESTMENT INCREASING FASTER THAN CONSUMPTION, INTERNAL USE OF INCOME AS 73 PERCENT FOR CONSUMPTION AND 27 PERCENT FOR ACCUMULATION.

3. INDUSTRIAL PRODUCTION WAS LED BY A 15 PERCENT INCREASE IN EXPORTED PRODUCTS AND A 14 PERCENT INCREASE IN INVESTMENT  
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GOODS. THE FOOD PRODUCTS INDUSTRY LED GROWTH OF INDUSTRIAL PRODUCTION WITH A 9.7 PERCENT INCREASE (TOTAL NON-FOOD INDUSTRY PRODUCTION GREW AT THE PLANNED RATE OF 6.1 PERCENT). OTHER SECTORAL GROWTH RATES WERE: ELECTRIC ENERGY - 8.5 PERCENT; ENGINEERING - 7.5 PERCENT; CHEMICAL - 6.9 PERCENT; BUILDING MATERIAL - 6.1 PERCENT; MINING, METALLURGY AND LIGHT INDUSTRY - BETWEEN 4 AND 4.2 PERCENT; CLOTHING - 1.9 PERCENT. THE REPORT INDICATES THAT INDUSTRIAL SPECIALIZATION AND TECHNICAL QUALITY CONTINUED TO INCREASE, BUT "NOT FAST ENOUGH TO PERMIT A LARGE-SCALE INCREASE OF THE MANUFACTURE OF COMPETITIVE PRODUCTS THAT CAN BE SOLD PROFITABLY." THE INDUSTRIAL LABOR FORCE WAS 1,688,400 - A .2 PERCENT DECREASE FROM 1976. PRODUCTIVITY ROSE 7 - 7.2 PERCENT.

4. DOMESTIC OUTPUT OF SOME IMPORTANT PRODUCTS WAS

OUTPUT IN 1977	1977 IN THE PERCENTAGE OF 1976
ELECTRIC ENERGY, 1000 MILLION KWH	23.4 106.1
COAL, MILLION TONS	25.5 100.8
CRUDE OIL, MILLION TONS	2.2 102.3

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SOE-02 OES-07 INT-05 /130 W

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R 090751Z MAR 78

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 895

INFO USMISSION USNATO

AMCONSUL MUNICH

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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NATURAL GAS, 1000 MILLION 6.6 108.5

CUBIC METERS

STEEL, MILLION TONS 3.7 101.9

ROLLED STEEL, MILLION TONS 3.1 107.6

BAUXITE, MILLION TONS 2.9 101.1

ALUMINA, 1000 TONS 786.5 106.8

ALUMINIUM SEMI-FINISHED PRODUCTS 134.5 100.4

1000 TONS

FERTILIZERS, ACTIVE INGREDIENTS, 805.2 102.9

1000 TONS

CHEMICAL FIBRES, 1000 TONS 26.0 124.6

COMPUTER ENGINEERING PRODUCTS AT 4.2 114.3

CURRENT PRICES, 1000 MILLION FORINTS

BONY RAW MEAT, 1000 TONS 559.9 115.8

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5. BUILDING INDUSTRY OUTPUT INCREASED AT THE PLANNED 6 PERCENT, DESPITE A SLIGHT DECREASE IN LABOR FORCE. DESPITE THE INTRODUCTION OF IMPROVED METHODS AND GREATER MECHANIZATION, "THE LARGE-SCALE RISE OF DEMAND OVER AND ABOVE THE PLANNED TARGET COULD NOT BE MET BY THE BUILDING INDUSTRY WITH ITS PRESENT CAPACITY AND STRUCTURE."

6. AGRICULTURAL OUTPUT WAS UP BY 10 - 11 PERCENT COMPARED TO 1976 OR 7 - 7.5 PERCENT COMPARED TO 1975. THE INCREASE WAS LED BY STATE FARMS AND COOPERATIVES (12 PERCENT); HOUSEHOLD PLOTS AND AUXILIARY FARMS INCREASED OUTPUT BY 7 - 8 PERCENT. WHEAT PRODUCTION WAS 5.3 MILLION TONS AND CORN PRODUCTION 6 MILLION TONS. OUTPUT OF ANIMAL PRODUCTS WAS UP SHARPLY: SLAUGHTER ANIMALS UP 10 PERCENT, MILK PRODUCTION UP 11 PERCENT, AND EGG AND WOOL PRODUCTION UP NEARLY 20 PERCENT. EMPLOYMENT IN SOCIALIST AGRICULTURE DROPPED BY 20,000 FROM 1976 TO 773,000 PEOPLE ON AN ANNUAL AVERAGE. FERTILIZER USE INCREASED TO AN AVERAGE OF 220 KILOGRAMS PER HECTARE OF CULTIVATED LAND.

7. INVESTMENT SPENDING REACHED 181.5 BILLION FORINTS. THE REPORT NOTES THAT THIS IS 10 PERCENT ABOVE THE PLANNED TARGET, AND MARKS A 13 PERCENT INCREASE IN VOLUME AND A 19 PERCENT INCREASE IN CURRENT PRICES OVER 1976. THIS GROWTH IS REGARDED AS EXCESSIVE: "THE INCREASE OF INVESTMENTS AT SUCH A SCALE WAS OUT OF PROPORTION WITH THE PRESENT CAPACITY OF THE PEOPLE'S ECONOMY AND WITH THE CONCENTRATED CONSTRUCTION FACILITIES AVAILABLE. TOO MANY INVESTMENT PROJECTS ARE SIMULTANEOUSLY UNDER WAY, IN SOME CASES COMPLETION WAS DELAYED AND COSTS ROSE."

8. WITH REGARD TO FOREIGN TRADE, THE REPORT NOTES THAT UNCLASSIFIED

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RUBLE EXPORTS INCREASED FASTER THAN IMPORTS, RESULTING IN IMPROVED RUBLE DEFICIT; HARD-CURRENCY IMPORTS AND EXPORTS BOTH INCREASED 10 PERCENT, RESULTING IN A WIDER TRADE GAP. COMMENT: NO FIGURES WERE CITED, BUT FOREIGN TRADE MINISTER BIRO ON FEBRUARY 28 ISSUED A LENGTHY REPORT ON 1977 FOREIGN TRADE RESULTS WHICH WILL BE REPORTED BY SEPTTEL. END COMMENT.

9. VARIOUS STATISTICS ON POPULATION WERE ALSO PROVIDED: POPULATION, AS OF JANUARY 1, 1978 - 10,671,000; POPULATION INCREASE - 46,000; BIRTHS - 178.000 (DOWN 4. PERCENT FROM 1976); LIVE BIRTHS PER 1000 POPULATION - 16.7; DEATHS PER 1000 POPULATION - 12.4; NUMBER OF ACTIVE WAGE EARNERS - 5,078,000 (DOWN 5000 FROM 1976).

10. COMMENT: HIGH 1977 GROWTH RATES WERE DUE TO EXCEPTIONAL FACTORS, NOTABLY RECOVERY OF AGRICULTURAL PRODUCTION AND EXCEEDINGLY HIGH LEVEL OF INVESTMENT. THE HIGH LEVEL OF INVESTMENT SPENDING WAS LARGELY ATTRIBUTABLE TO FAILURE OF THE ECONOMIC REGULATORS. TAX AND SUBSIDY POLICIES LEFT ENTERPRISES WITH TOO MUCH DISPOSAL CAPITAL, WHILE LIBERAL CREDIT POLICIES -- ESPECIALLY THE RAPID DISBURSAL OF THE NATIONAL BANK'S SPACIAL 45 BILLION EXPORT PROMOTION CREDIT FUND -- ALSO ENCOURAGED INVESTMENT SPENDING. AS REPORETD REFTEL, 1978 WILL BE A YEAR OF CONSOLIDATION, WITH NATIONAL INCOME ONLY SLATED TO RISE BY 5 PERCENT. A TRANSLATION OF THE MOST COMPREHENSIVE SUMMARY OF THE STATISTICAL OFFICE REPORT, WHICH APPEARED IN THE FEBRUARY 5 NEPSZABADSAG, IS BEING POUCHED TO THE DEPARTMENT (EUR/EE).  
WILGIS

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## Message Attributes

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